



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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March 13, 2008

TO: Senator Craig Pridemore, Chair
Senator Joseph Zarelli
Representative Ross Hunter
Representative Ed Orcutt
Victor Moore, OFM, Director
Cindi Holmstrom, DOR, Director

FROM: Arun Raha, Executive Director
Economic and Revenue Forecast Council

SUBJECT: UPDATED MARCH 2009 ECONOMIC FORECAST

We have reviewed the March Global Insight forecast for the U.S. economy as well as the March Blue Chip forecast. Global Insight's forecast for real GDP growth is lower than the lowest of the 51 professional forecasters who participated in that survey. Global Insight did not participate in the survey, in either March or February.

As we did for the preliminary forecast presented on March 6, rather than base our forecast on an outlier, we adjusted the Global Insight forecast so that real GDP matched the new Blue Chip Consensus forecast, and the oil price forecast matched the New York Mercantile Exchange (NYMEX) futures prices. Global Insight's forecast of a big drop in oil prices in 2009 was unrealistic, given incoming data and the expectation of market participants.

Compared to the preliminary forecast, our updated national forecast is generally weaker, as a result of a deterioration in the Blue Chip Consensus outlook.

The Washington State specific assumptions in this forecast are similar to those in the preliminary forecast. The updated forecast reflects the stimulus package that was passed and signed, which has less funding for infrastructure than assumed in the preliminary forecast. This change reduced the Washington construction forecast. On the other hand, the new forecast also reflects higher spending for the Hanford cleanup than was assumed in February.

Compared to the preliminary forecast, our updated Washington economic forecast is generally weaker, as a result of the weaker national economic forecast.

The attached tables compare the updated forecast with the preliminary forecast released on March 6th as well as with the forecast adopted in November.

If you have any questions, please contact Bret Bertolin, Senior Economic Forecaster, at (360) 570-6106 or bretb@dor.wa.gov.

Cc: Governor's Council of Economic Advisors
Enclosures

**Updated March Compared to Preliminary March
U.S. Forecast Comparison**

	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2007	2008	2009	2010	2011
Real GDP (2000 USD billions)											
March Forecast, Updated	11,525	11,369	11,312	11,326	11,377	11,441	11,524	11,653	11,346	11,564	11,959
Percent Change	-6.2%	-5.3%	-2.0%	0.5%	1.8%	2.3%	2.0%	1.1%	-2.6%	1.9%	3.4%
March Forecast, Preliminary	11,599	11,455	11,411	11,434	11,491	11,559	11,524	11,671	11,448	11,688	12,083
Percent Change	-3.8%	-4.9%	-1.5%	0.8%	2.0%	2.4%	2.0%	1.3%	-1.9%	2.1%	3.4%
Implicit Price Deflator (2000=100)											
March Forecast, Updated	121.5	121.0	120.8	121.0	121.2	121.7	117.654	121.579	120.992	122.558	124.776
Percent Change	-5.0%	-1.5%	-0.7%	0.7%	0.8%	1.5%	2.6%	3.3%	-0.5%	1.3%	1.8%
March Forecast, Preliminary	121.3	120.6	120.7	121.0	121.3	121.9	117.654	121.537	120.906	122.887	125.193
Percent Change	-5.5%	-2.2%	0.3%	0.8%	1.2%	2.0%	2.6%	3.3%	-0.5%	1.6%	1.9%
Real Personal Income (2000 USD billions)											
March Forecast, Updated	9,998	10,031	10,153	10,111	10,133	10,166	9,912	9,958	10,107	10,219	10,454
Percent Change	4.4%	1.3%	5.0%	-1.7%	0.9%	1.3%	3.4%	0.5%	1.5%	1.1%	2.3%
March Forecast, Preliminary	9,995	10,022	10,174	10,143	10,177	10,203	9,912	9,955	10,129	10,271	10,515
Percent Change	4.6%	1.1%	6.2%	-1.2%	1.3%	1.0%	3.4%	0.4%	1.8%	1.4%	2.4%
Nonfarm Payroll Employment (Millions)											
March Forecast, Updated	135.7	134.0	133.0	132.4	132.1	132.2	137.6	137.0	132.8	132.6	134.7
Percent Change	-3.7%	-5.1%	-2.9%	-1.8%	-0.9%	0.4%	1.1%	-0.4%	-3.1%	-0.2%	1.6%
March Forecast, Preliminary	135.8	134.1	133.4	133.0	132.8	133.1	137.6	137.1	133.3	133.6	135.8
Percent Change	-3.6%	-4.7%	-2.2%	-1.3%	-0.4%	0.7%	1.1%	-0.4%	-2.7%	0.2%	1.6%
Unemployment Rate (Percent of Labor Force)											
March Forecast, Updated	6.9%	8.0%	8.7%	9.2%	9.5%	9.6%	4.6%	5.8%	8.8%	9.5%	8.9%
March Forecast, Preliminary	6.9%	7.8%	8.3%	8.7%	9.0%	9.0%	4.6%	5.8%	8.5%	9.0%	8.3%
30 Year Fixed Mortgage Rate (Percent, average)											
March Forecast, Updated	5.9%	5.1%	4.9%	4.9%	5.0%	5.0%	6.3%	6.0%	5.0%	5.0%	5.8%
March Forecast, Preliminary	5.9%	5.0%	5.0%	5.1%	5.1%	5.2%	6.3%	6.0%	5.1%	5.4%	6.4%
3 Month T-Bill Rate (Percent, average)											
March Forecast, Updated	0.3%	0.3%	0.3%	0.3%	0.4%	0.5%	4.4%	1.4%	0.3%	0.7%	2.4%
March Forecast, Preliminary	0.3%	0.2%	0.2%	0.3%	0.4%	0.5%	4.4%	1.4%	0.3%	0.9%	2.8%

**Updated March Compared to November
U.S. Forecast Comparison**

	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2007	2008	2009	2010	2011
Real GDP (2000 USD billions)											
March Forecast, Updated	11,525	11,369	11,312	11,326	11,377	11,441	11,524	11,653	11,346	11,564	11,959
Percent Change	-6.2%	-5.3%	-2.0%	0.5%	1.8%	2.3%	2.0%	1.1%	-2.6%	1.9%	3.4%
November Forecast	11,622	11,560	11,546	11,556	11,590	11,640	11,524	11,679	11,563	11,760	12,124
Percent Change	-3.3%	-2.1%	-0.5%	0.4%	1.2%	1.7%	2.0%	1.3%	-1.0%	1.7%	3.1%
Implicit Price Deflator (2000=100)											
March Forecast, Updated	121.5	121.0	120.8	121.0	121.2	121.7	117.654	121.579	120.992	122.558	124.776
Percent Change	-5.0%	-1.5%	-0.7%	0.7%	0.8%	1.5%	2.6%	3.3%	-0.5%	1.3%	1.8%
November Forecast	121.8	121.4	121.3	121.6	122.0	122.7	117.654	121.700	121.575	123.842	126.839
Percent Change	-4.2%	-1.3%	-0.6%	1.0%	1.4%	2.4%	2.6%	3.4%	-0.1%	1.9%	2.4%
Real Personal Income (2000 USD billions)											
March Forecast, Updated	9,998	10,031	10,153	10,111	10,133	10,166	9,912	9,958	10,107	10,219	10,454
Percent Change	4.4%	1.3%	5.0%	-1.7%	0.9%	1.3%	3.4%	0.5%	1.5%	1.1%	2.3%
November Forecast	10,055	10,223	10,194	10,208	10,221	10,223	9,912	9,987	10,211	10,262	10,482
Percent Change	5.5%	6.9%	-1.1%	0.6%	0.5%	0.1%	3.4%	0.8%	2.2%	0.5%	2.1%
Nonfarm Payroll Employment (Millions)											
March Forecast, Updated	135.7	134.0	133.0	132.4	132.1	132.2	137.6	137.0	132.8	132.6	134.7
Percent Change	-3.7%	-5.1%	-2.9%	-1.8%	-0.9%	0.4%	1.1%	-0.4%	-3.1%	-0.2%	1.6%
November Forecast	136.9	136.1	135.5	135.2	135.1	135.2	137.6	137.5	135.5	135.6	137.5
Percent Change	-1.7%	-2.1%	-1.8%	-1.0%	-0.2%	0.3%	1.1%	-0.1%	-1.5%	0.1%	1.4%
Unemployment Rate (Percent of Labor Force)											
March Forecast, Updated	6.9%	8.0%	8.7%	9.2%	9.5%	9.6%	4.6%	5.8%	8.8%	9.5%	8.9%
November Forecast	6.5%	7.1%	7.7%	8.0%	8.1%	8.2%	4.6%	5.7%	7.7%	8.2%	7.8%
30 Year Fixed Mortgage Rate (Percent, average)											
March Forecast, Updated	5.9%	5.1%	4.9%	4.9%	5.0%	5.0%	6.3%	6.0%	5.0%	5.0%	5.8%
November Forecast	6.0%	5.7%	5.6%	5.6%	5.5%	5.5%	6.3%	6.1%	5.6%	5.6%	6.8%
3 Month T-Bill Rate (Percent, average)											
March Forecast, Updated	0.3%	0.3%	0.3%	0.3%	0.4%	0.5%	4.4%	1.4%	0.3%	0.7%	2.4%
November Forecast	0.6%	0.6%	0.8%	1.0%	1.0%	1.2%	4.4%	1.5%	0.9%	1.8%	4.0%

**Updated March Compared to Preliminary March
Washington Forecast Comparison**

	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2007	2008	2009	2010	2011
Real Personal Income (2000 USD billions)											
March Forecast, Updated	227.9	229.8	231.5	231.6	231.5	234.0	225.7	227.5	231.1	236.0	243.9
Percent Change	1.7%	3.4%	2.9%	0.2%	-0.2%	4.4%	5.3%	0.8%	1.6%	2.1%	3.3%
March Forecast, Preliminary	228.1	230.5	233.2	233.6	233.7	236.4	225.7	227.6	232.8	238.7	246.9
Percent Change	1.9%	4.3%	4.8%	0.7%	0.2%	4.7%	5.3%	0.8%	2.3%	2.6%	3.4%
Personal Income (USD billions)											
March Forecast, Updated	276.8	278.1	279.6	280.2	280.6	284.8	265.6	276.6	279.6	289.3	304.3
Percent Change	-3.4%	1.8%	2.2%	0.9%	0.6%	6.0%	8.0%	4.2%	1.1%	3.5%	5.2%
March Forecast, Preliminary	276.6	278.0	281.5	282.6	283.6	288.3	265.6	276.6	281.4	293.4	309.1
Percent Change	-3.7%	2.1%	5.2%	1.5%	1.4%	6.8%	8.0%	4.1%	1.8%	4.2%	5.4%
Nonfarm Payroll Employment (Thousands)											
March Forecast, Updated	2,933	2,905	2,886	2,877	2,875	2,886	2,934	2,960	2,886	2,906	2,977
Percent Change	-4.4%	-3.8%	-2.7%	-1.1%	-0.3%	1.4%	2.6%	0.9%	-2.5%	0.7%	2.4%
March Forecast, Preliminary	2,933	2,911	2,898	2,893	2,895	2,908	2,934	2,960	2,899	2,932	3,015
Percent Change	-4.4%	-3.1%	-1.7%	-0.6%	0.2%	1.8%	2.6%	0.9%	-2.1%	1.1%	2.8%
Unemployment Rate (Percent of Labor Force)											
March Forecast, Updated	6.2%	8.3%	9.0%	9.6%	9.9%	10.0%	4.5%	5.3%	9.2%	10.0%	9.5%
March Forecast, Preliminary	6.6%	7.8%	8.4%	8.9%	9.2%	9.3%	4.5%	5.5%	8.6%	9.3%	8.9%
Manufacturing Employment (Thousands)											
March Forecast, Updated	279.6	278.0	271.3	265.8	262.8	263.0	293.3	291.0	269.5	264.4	273.4
Percent Change	-17.0%	-2.3%	-9.3%	-7.8%	-4.4%	0.2%	2.6%	-0.8%	-7.4%	-1.9%	3.4%
March Forecast, Preliminary	279.6	278.3	273.9	270.2	268.1	268.2	293.3	291.0	272.6	268.6	275.8
Percent Change	-17.0%	-1.9%	-6.2%	-5.3%	-3.0%	0.2%	2.6%	-0.8%	-6.3%	-1.4%	2.7%
Construction Employment (Thousands)											
March Forecast, Updated	194.0	187.4	179.7	172.8	168.4	166.6	208.2	201.5	177.1	165.4	170.5
Percent Change	-10.3%	-13.0%	-15.5%	-14.3%	-9.9%	-4.2%	6.8%	-3.2%	-12.1%	-6.6%	3.1%
March Forecast, Preliminary	194.0	188.1	182.3	175.5	171.5	170.1	208.2	201.5	179.4	172.9	187.8
Percent Change	-10.3%	-11.6%	-11.8%	-14.0%	-8.9%	-3.1%	6.8%	-3.2%	-11.0%	-3.6%	8.6%
Housing Permits (Thousands)											
March Forecast, Updated	21.0	19.3	19.0	19.1	23.2	26.4	47.4	27.3	20.1	30.2	40.3
Percent Change	-57.0%	-28.9%	-5.5%	2.2%	116.3%	68.6%	-5.3%	-42.5%	-26.1%	50.2%	33.3%
March Forecast, Preliminary	20.2	18.9	19.1	19.3	23.1	27.0	47.4	27.5	20.1	32.7	43.4
Percent Change	-66.4%	-22.8%	4.7%	4.1%	105.4%	85.5%	-5.3%	-42.0%	-26.8%	62.4%	32.7%

**Updated March Compared to November
Washington Forecast Comparison**

	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2007	2008	2009	2010	2011
Real Personal Income (2000 USD billions)											
March Forecast, Updated	227.9	229.8	231.5	231.6	231.5	234.0	225.7	227.5	231.1	236.0	243.9
Percent Change	1.7%	3.4%	2.9%	0.2%	-0.2%	4.4%	5.3%	0.8%	1.6%	2.1%	3.3%
November Forecast	228.1	233.4	232.8	235.1	234.8	236.2	225.7	226.9	234.0	237.2	243.4
Percent Change	4.2%	9.7%	-1.1%	4.1%	-0.6%	2.4%	5.3%	0.5%	3.1%	1.4%	2.6%
Personal Income (USD billions)											
March Forecast, Updated	276.8	278.1	279.6	280.2	280.6	284.8	265.6	276.6	279.6	289.3	304.3
Percent Change	-3.4%	1.8%	2.2%	0.9%	0.6%	6.0%	8.0%	4.2%	1.1%	3.5%	5.2%
November Forecast	277.9	283.5	282.3	285.8	286.4	289.8	265.6	276.2	284.5	293.8	308.8
Percent Change	-0.1%	8.3%	-1.7%	5.1%	0.8%	4.9%	8.0%	4.0%	3.0%	3.3%	5.1%
Nonfarm Payroll Employment (Thousands)											
March Forecast, Updated	2,933	2,905	2,886	2,877	2,875	2,886	2,934	2,960	2,886	2,906	2,977
Percent Change	-4.4%	-3.8%	-2.7%	-1.1%	-0.3%	1.4%	2.6%	0.9%	-2.5%	0.7%	2.4%
November Forecast	2,942	2,941	2,936	2,937	2,940	2,946	2,932	2,960	2,938	2,960	3,012
Percent Change	-2.6%	-0.1%	-0.7%	0.2%	0.3%	0.9%	2.5%	0.9%	-0.7%	0.7%	1.8%
Unemployment Rate (Percent of Labor Force)											
March Forecast, Updated	6.2%	8.3%	9.0%	9.6%	9.9%	10.0%	4.5%	5.3%	9.2%	10.0%	9.5%
November Forecast	6.4%	6.9%	7.4%	7.7%	7.9%	8.1%	4.5%	5.5%	7.5%	8.3%	8.4%
Manufacturing Employment (Thousands)											
March Forecast, Updated	279.6	278.0	271.3	265.8	262.8	263.0	293.3	291.0	269.5	264.4	273.4
Percent Change	-17.0%	-2.3%	-9.3%	-7.8%	-4.4%	0.2%	2.6%	-0.8%	-7.4%	-1.9%	3.4%
November Forecast	283.1	288.6	284.3	282.1	279.4	277.2	293.2	291.7	283.6	276.5	281.8
Percent Change	-12.9%	7.9%	-5.7%	-3.1%	-3.8%	-3.1%	2.6%	-0.5%	-2.8%	-2.5%	1.9%
Construction Employment (Thousands)											
March Forecast, Updated	194.0	187.4	179.7	172.8	168.4	166.6	208.2	201.5	177.1	165.4	170.5
Percent Change	-10.3%	-13.0%	-15.5%	-14.3%	-9.9%	-4.2%	6.8%	-3.2%	-12.1%	-6.6%	3.1%
November Forecast	191.9	189.8	187.6	185.6	183.9	183.4	207.4	199.6	186.7	184.0	186.5
Percent Change	-10.7%	-4.4%	-4.6%	-4.1%	-3.6%	-1.1%	6.4%	-3.7%	-6.5%	-1.4%	1.3%
Housing Permits (Thousands)											
March Forecast, Updated	21.0	19.3	19.0	19.1	23.2	26.4	47.4	27.3	20.1	30.2	40.3
Percent Change	-57.0%	-28.9%	-5.5%	2.2%	116.3%	68.6%	-5.3%	-42.5%	-26.1%	50.2%	33.3%
November Forecast	26.7	26.8	27.7	29.5	31.5	33.3	47.4	29.1	28.9	36.9	41.8
Percent Change	2.3%	2.6%	13.7%	28.2%	30.6%	25.2%	-5.3%	-38.6%	-0.8%	27.6%	13.3%